

Stabilization Operations Beyond Government

Joint Venture Public-Private Partnerships in Iraq and Afghanistan

BY MATTHEW W. PARIN

Against the backdrop of wars in Iraq and Afghanistan and a changing strategic environment in the broader Middle East, political leaders now are confronting the difficult question of how to achieve long-term stability. The toppling of the Taliban-led government in Afghanistan and removal of Saddam Hussein from Iraq displayed the capability of America's military to marshal overwhelming conventional force against its enemies. However, this overwhelming capability soon was eclipsed when this same force struggled to secure durable peace either in Iraq or Afghanistan.

No longer is the debate focused on how to "win the war"; rather, it has shifted to "winning the peace." Indeed, global power is measured not by the number of bombs a nation can drop, but by the number of opportunities it can provide.¹ According to John Nagl, "It is time for America to take the long term view. . . . America's stake in a stable, peaceful, secure Middle East will [not] vanish when the last American combat brigade departs."² General David Petraeus puts it more bluntly: "To prevail, [we need] long-term development and stabilization."³

Unfortunately, the U.S. Government has not always taken a synchronized, whole-of-government approach to stabilization operations. As I witnessed firsthand during my recent civilian

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tour with Multi-National Force–Iraq (MNF–I), the combination of 1,000 Embassy staff, 500 Provincial Reconstruction Team members, and more than 130,000 Servicemembers did not result in a synchronized long-term approach to Iraq’s transition from a conflict to a postconflict state. Although the National Security Council (NSC) did establish the Joint Interagency Task Force–Iraq (JIATF–I) in April 2008 to bring together full-time representatives from MNF–I,

only by elevating economic development to the level of political development will stabilization operations have a truly lasting impact

the U.S. Agency for International Development (USAID), and the Departments of State, Energy, and Homeland Security into “smart power”⁴ planning teams,⁵ this organization only focused efforts against two threats to Iraq’s future stability: Iran and al Qaeda in Iraq. With this focus, there existed no central organization to combat what many see as the true long-term threat to Iraq: a lack of economic development and integration into the global economy.⁶

In many ways, pursuing development concurrent with—if not prior to—the creation of political institutions aligned with America’s interests is the ultimate example of global risk management.⁷ Moreover, the current era of information age warfare demands attention to the entire spectrum of operational lines, as success in one line of operation reinforces success in others.⁸ For too long, the U.S. Government has pursued national-level governance in conflict states while implicitly neglecting the importance of development for host country nationals.⁹ To remedy this situation, the transition of a conflict state to a durable postconflict

state status demands broad-based development as a precursor to thorough integration of conflict states into the global economy. Hence, the creation of a civil-military stabilization operation initiative will bring together U.S. Government, private sector business, and possibly international organization (for example, the International Monetary Fund, World Bank, United Nations Development Program) representatives under a JIATF framework to pursue a two-stage strategy of economic development and global integration.

In the first stage, the organization will foster diversified economic growth through joint venture¹⁰ public-private partnerships¹¹ to satisfy the near- to mid-term economic needs of host state entrepreneurs—including but not limited to capital finance and global market access. In the second stage, the JIATF organization will work with host nation entrepreneurs, universities, and institutions to foster the bottom-up adoption of U.S. business models, procedures, and standards. This will give the U.S. Government an early start in developing the relationships critical to the long-term development of modern state institutions.

With time, Washington can use this approach to grow monetary and political capital and as a method to position itself geostrategically. Many have noted that achieving strategic objects in Iraq and Afghanistan requires leadership and the synchronization of effort to provide enduring political and economic opportunities to stem the cycle of violence. However, only by elevating economic development to the level of political development will stabilization operations have a truly lasting impact.

Globalization and Modernization

The goal of stabilization operations along the economic line of operation is to modernize



Afghan woman employed by nonprofit organization weaves rug in her home

and moderate host nation policies in line with international standards. Implicit in this thinking is the transformational power of international commerce. When states open to the world, human rights and political reform are usually far from the goals political leaders have in mind. Nevertheless, deepening ties with global businesses force states to change laws and practices—to adopt what Thomas P.M. Barnett calls the transparent modern “rule sets” of the world’s developed and well-integrated “core.”¹² A legal and bureaucratic system forced to change in one area becomes more receptive to change in other areas as well. Moreover, working to bring host nation economies more fully into the web of globalization can push the status quo to the tipping point where national leaders have little choice but to embrace change and try to make the most of it.¹³ Despite its intuitive appeal, however, scholars are divided on the causal links among commerce, modernization, and moderation.

Modernization theory in its most basic form argues that countries develop by moving from an agricultural economy to an industrialized one and then to the development of a large service sector. As a consequence of these structural changes, a greater share of the population moves to urban areas, education levels increase, incomes and standards of living rise, and traditional beliefs and practices are replaced by more “modern” ones based on scientific rationality. Rationality and the ability to incorporate developments into state decisionmaking are important because politicians can and will adjust policies when faced with changes in the underlying makeup of a policy. If, for example, individual politicians have static beliefs, then change is only possible through regime change. But as we have seen in a great many cases throughout the centuries, politicians can adjust policies when faced with a changing tactical and strategic environment.

Assumptions to the contrary are not only shallow, but also dangerous.

If rational is assumed to be moderate, then the answer of how to moderate state policies

although the establishment of space to grow globalization is important, policymakers must be sensitive to the character of development projects, especially in conflict zones

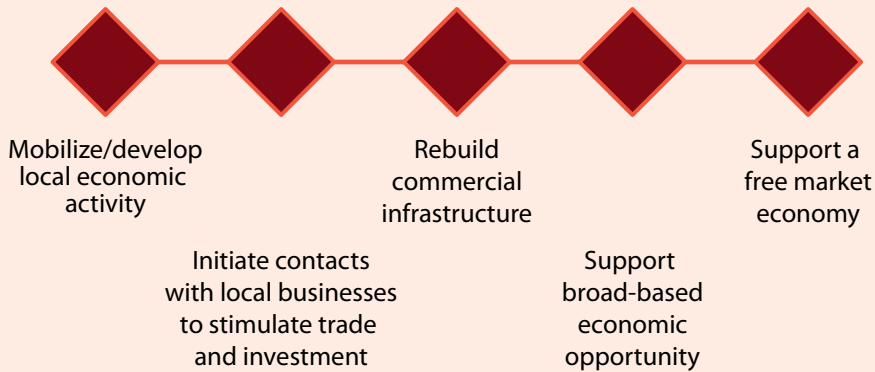
should be strikingly simple. Moderation of state policies is achieved when the underlying variables of a government's policy change, thus necessitating a rational adjustment. If, for example, a state severs economic ties with its top trade and export partner due to that state's purchase of a defensive weapons system—no matter how this political change is viewed by external actors—the politician is acting irrationally. Conversely, if a state liberalizes trade policy due to groundswell support for increased trade with Western nations, then the state is acting rationally. Perception of rationality will complicate the “rational versus irrational” dynamic; however, this does not discount the notion that rational states will pursue policies based upon a calculation of a state's interests. Thus, the United States should seek to drive change from below through a process of co-optation rather than coercion.

Trade and investment are the bricks and mortar for construction of modern, moderate states. Although development scholars understand the importance of these qualities, they disagree over what approach to take to achieve a desired endstate. Some assess that institutional development drives greater global economic integration (for example, governance first), while others assess that global economic

integration drives institutional development (globalization first). From the governance-first perspective, Indra de Soysa and Jo Jakobsen found that absent other factors, foreign direct investment follows market conditions, and therefore flows more to states with modern democratic institutions and less to states with stagnant authoritarian systems.¹⁴ In particular, they found that financiers and global businesses are more likely to sign deals in countries with basic levels of development rather than to speculate in emerging markets due to exposure to political risk.¹⁵ It is from this perspective that the majority of U.S. development projects place the greatest emphasis on governance over other lines of operation. Turning to the globalization-first perspective, Jonas Johansson found through a statistical analysis comparing the *Freedom in the World*¹⁶ index with various measures of globalization that an increasing degree of socioeconomic development paralleled a more globalized state. And with a more globalized state, conditions tend to better support the development of democratic institutions and values.¹⁷ Thus, Johansson's findings demonstrate that the extent to which a country is intertwined in the global economy contributes to the overall understanding of the predictors of democracy and modernization.

Although the establishment of space to grow globalization is important, policymakers must be sensitive to the character of development projects, especially in conflict zones. Adam Przeworski and Fernando Limongi found that the level of economic development was sometimes not a good predictor of modernization. They argue that although prospects for modernization increase in wealthier countries, some authoritarian regimes can remain stable at high levels of economic development (such as China). This is somewhat the case in Iraq and

Path to Modernization



Afghanistan, where capitalist classes are not inherently proponents or even supporters of modernization. Generally speaking, capitalists in highly corrupt states tend to support the ruling regime when their material interests benefit from the regime's policies or when they fear that a new regime's policies, such as a top-down anticorruption campaign, would harm their interests. But when the capitalists believe that the ruling regime can no longer defend their interests or when they perceive that the strength of the prevailing political winds has reached a critical velocity, their support for the status quo can change to opposition, thus helping trigger a tipping point.

Ultimately, however, the debate over modernization will continue. Despite differing opinions among development scholars as to the theoretical drivers, modernization theory continues to guide the thinking of scholars and policymakers alike.¹⁸ As Vali Nasr asserts, "Fueling the activities of the Middle East's rising middle class, and working to bring the economies of the region more fully into the web of globalization, can push the status quo to the tipping point where national leaders have no choice but to embrace change and make the most of it."¹⁹ Indeed, economic development strategies, when pursued in an ordered, synchronized fashion, can contribute positively to the modernization, moderation, and stabilization of conflict societies.

Modernization: How to Get There

How best can the United States achieve modernization, especially in "difficult" states? Recent foreign policy indicates the perception that military force is the only way the international community can process such states into the broader global community. Supporters of this policy believe the security situation in these countries will not improve on its own because exploiting these situations is what helps keep the Muammar Qadhafis and the Kim Jong-ils in power. In short, where the international community permits security gaps to linger, only bad actors will fill the vacuum, resulting in political intrigue, economic corruption, endemic violence, and a climate that incubates future threats. This is why Thomas Barnett believes that "taking down all the Saddams is a good thing, because each regime

change fixes a ‘broken window’ and—by doing so—sends a signal to prospective bad actors regarding rule sets the international community is serious about enforcing.”²⁰

Alternatively, some are beginning to believe that it is time to think less about civilizations clashing and to recover the great insights—which lie close to the foundations of classical liberalism and modern political thought—about the transformative power of markets and commerce. Commerce, as David Hume and the other great minds of the Enlightenment often point out, softens manners and makes a politics based on reason and deliberation, rather than fighting and romanticism, far more imaginable.²¹ However, the United States must change the character of its development approach in order to achieve the lasting positive impact it seeks. The United

with them who have traditionally ruled “difficult” state economies.

The transformative thesis of commerce is encapsulated in the scholarship on hard power, soft power, and smart power by Joseph Nye. According to Nye, soft power is the ability to co-opt or attract an actor to want the same outcomes as another actor. In a sense, it is the ability to see through the adoption of *the other’s* models, *the other’s* procedures, and *the other’s* standards. Soft power depends more than hard power²³ upon the existence of willing interpreters and receivers. Moreover, attraction via soft power often has a diffusive effect of creating general influence, rather than producing an easily observable specific action, as is often the object of hard power.

The conditions for projecting soft power have transformed dramatically in recent years. The information revolution and globalization are transforming and shrinking the world. At the beginning of the 21st century, those two forces have enhanced American power. Yet no matter how logical or necessary the new rule sets appear to American actors, if the United States cannot sell them to a large chunk of the planet, it loses credibility as a competent superpower, and invariably those rules will be dismissed by other cultures as reflecting an American bias.²⁴ According to U.S. Foreign Service Officer Kurt Amend, the creation of a strategic narrative that “explains the purpose of all government plans and programs” is the starting point for winning local support to plans and operations.²⁵ This narrative should contain long-term objectives, underlying assumptions, and specific measures needed to achieve those objectives. Furthermore, it should be developed in close coordination with the U.S. military, development and intelligence agencies, non-governmental organizations, host governments,

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States has been supporting economic reform and business initiatives with too much focus on working with government planners and the top-level business elite.²² Change will not come from this upper crust; it has too much invested in the status quo and depends too heavily on the state. It is business with a small “b” that should hold the attention of the United States and the global community. If genuine capitalism in the broad sense experienced by the West is to develop and thrive—where individuals working through markets account for growth and prosperity—it will come from grass-roots entrepreneurs and not from state-led initiatives or the state-sponsored economic elite associated

and international partners. In Amend's words, "Any political strategy lacking the contributions and support of key stakeholders is doomed to failure."

A strategic narrative for the United States that internalizes the transformative nature of commerce will comprise support from a wide spectrum of agencies. Two U.S. Government organizations currently are tasked with promoting integration of U.S. businesses with foreign partners and with fostering the integration of host nations into the global economy: the Export-Import Bank of the United States (Ex-Im Bank) and the Overseas Private Investment Corporation (OPIC). Established in 1934 by an Executive order and made an independent agency in the executive branch by Congress in 1945, Ex-Im Bank is the official export credit agency of the Federal Government. Ex-Im Bank seeks to create and sustain American jobs by financing and insuring foreign purchases of U.S. goods for customers unable or unwilling to accept certain levels of political and commercial risk. Similarly, OPIC, founded in 1971, is an agency that helps U.S. businesses invest overseas and promote economic development in new and emerging markets. The agency provides political insurance against the risks of inconvertibility, political violence, or expropriation. OPIC also provides financing through direct loans and loan guarantees.

Ex-Im Bank and OPIC are at the heart of the U.S. Government's broader development program; strikingly, however, they have been absent from development-based stabilization operations in Iraq and Afghanistan.²⁶ Looking at the budget of these organizations from 2003 to the present, we can see why they have not stepped into the development vacuum left by American armed forces. In 2003, Ex-Im Bank operated on a budget of \$325 million. Currently,

its budget is nearly zero—hence, Ex-Im Bank now relies on user fees to continue its operation. This means that it increasingly will make mission decisions based on free market cost-benefit analyses rather than on political priority. Although it has not suffered as severely as Ex-Im Bank, OPIC's operation budget has been cut by nearly 50 percent from 2003 levels.²⁷ If these agencies continue to operate at or below current budget, it will remain difficult for international traders and investors to flow capital into war zones, failed states, and extremist havens, the very places such capital is often needed most.

Ultimately, it appears that much of the literature on foreign direct investment emphasizes business-oriented decision frameworks as to whether to enter a given market. Moreover, these market analyses often toss conflict zones into the dustbin as no-go zones—which ultimately levels greater responsibility on national governments to push initiatives without the assistance of the private sector. Although logical from the private sector cost-benefit calculation, it may prove more useful for the U.S. Government to synchronize business entities into the broader government efforts to support the radical changes needed in conflict states. When compared to the vast outlay of taxpayer cash required to reform a country through force, approaching the issue in terms of economics seems rather novel.

Partnering for Success

If the U.S. Government is indeed internalizing the positive impact and transformative nature of private sector growth for a host nation transition from conflict to postconflict status, the U.S. Government must find a way to better incorporate the talent and insights of the private sector into all levels of planning. Many

A Unique Private Sector Methodology

Eurasia Group brings together political scientists with a broad range of country expertise, which enables them to provide comparative country analysis. PricewaterhouseCoopers brings together enterprise risk management specialists and business advisors with deep sector experience to recommend practical approaches for mitigating identified risks, enhancing opportunity, and evaluating alternative courses of action.

Eurasia Group's Regulatory Riskwatch service is one example of the ways in which the company provides a comparative and forward-looking platform for thinking about risk. Regulatory Riskwatch estimates three key dimensions of regulatory change: impact, probability of the regulatory change, and time horizon. By considering these elements, business leaders can adjust strategy to deflect adverse effects on operations or take advantage of opportunities.

companies already are charting the murky waters of globalization. Yet many of these same corporate leaders lack a framework for understanding how local political and market dynamics affect foreign ventures, according to Ian Bremmer.²⁸ Moreover, Bremmer believes chief executive officers (CEOs) may be unaware of social, regulatory, and energy issues around the next curve in the road. To mitigate these vulnerabilities, CEOs and business strategists routinely consult economic and political risk analysts from firms such as Eurasia Group and PricewaterhouseCoopers in order to make the most informed global investment decisions possible for emerging or high-risk markets.

To its credit, the U.S. Government has been engaged in economic and political risk analysis—better known as diplomatic cabling—for decades, and every American Embassy around the world utilizes this to relay host country developments back to Washington. Being aware of the political and economic dynamics of a host country enables the U.S. Government to anticipate micro- and macro-level shifts that could affect its interests. Hence, it should be useful to synchronize private sector companies with the political discussions of the United States in order to create more thorough interaction among actors engaged in the economic line of operation and to allow private sector company management to make well-informed decisions about the future of their ventures. Until the connections are made, both public and private sector entities are merely speculating as to what the other entity wants.

This proposal runs counter to conventional development planning. However, globalization and the new era of information-based warfare demand breaking down organizational stovepipes to capitalize on the talent and insights from all possible partners. Moreover, confidence in an economic approach will not occur until the U.S. military, civilian corps, and private sector expertise partner in a joint environment to tackle the most difficult economic development questions facing the Nation.

With a clear organizational approach to economic development and integration for conflict states, joint venture public-private partnerships hold the best possibility to achieve the goals of

the overriding strategy. Joint ventures, to their credit, set the conditions necessary for adoption of international standards and values without the coercive nature often associated with foreign ventures. Moreover, joint ventures allow host nation entrepreneurs to reinvest profits into their own independent ventures after learning how to design and implement a successful business, branding, and marketing plan. Although criticism may be leveled at such ventures for their high risk and low return on investment, these criticisms are of less importance when these ventures are pursued through a public-private partnership. Distinct from common private ventures, public-private partnerships have an added benefit inasmuch as they are supported by the U.S. Government (and possibly other governments as well). This government support, when effectively utilized, can shelter business from the risk associated with investing in emerging markets, which can tip the scales of cost-benefit analyses in favor of the joint venture.

Recommendations

Understanding that the United States and its international partners must take steps to better integrate host nation entrepreneurs into the global economy, the United States should do what it does best: allocate money, enlist the help of the private sector when possible, and inspire entrepreneurs and investors to fill a new market as quickly as possible. Furthermore, it should seek to extend the durability of our soft power influence by institutionalizing the incentives for future generations of stakeholders to support continuation of globalized values.

Use a Joint Structure to Bring Global Connection. Experts and practitioners often lament that in Iraq and Afghanistan, no single individual or institution has the power of

resources and mandate to direct civilian efforts in reconstruction, economic development, and political stabilization—even though the military and State Department fully acknowledge that their efforts will not be successful unless those tasks are met. All too often, the structures in these countries have been impromptu arrangements with different Federal agencies using unclear mechanisms for accountability—adding possibly years of deterioration in both wars.

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To process Iraq and Afghanistan to post-conflict status as well as to secure long-term influence with host governments, I propose the creation of a two-stage campaign that emphasizes the singular goal of bottom-up change through the adoption of international standards and practices in line with the broader strategic narrative outlined by key stakeholders. For the first stage of the initiative, I propose an organization not radically different from that already in place in Iraq under the JIATF-I. According to one of my USAID colleagues from Iraq, “The advantage of [the JIATF framework] is, in theory, it gets at the coordination problem, which is one of the fundamental issues.”²⁹ Similar to JIATF-I, the organization should fall under the NSC and should incorporate civilian and military representatives; however, the organization also must place special emphasis on the integration of highly skilled private sector employees to support the building of public-private partnerships. Bringing private sector employees into a public sector-centric organization performs two basic functions. First, private sector employees are able to bring their considerable knowledge of global investment,

trade, and financial markets to bear in a way that can make a true impact on the future of a host country and its citizens. And second, integration of private sector employees strengthens America's soft power message.

The first stage of the process would involve buying into companies already in operation, or companies that were in operation and have the

the U.S. Government should strive to develop the next generation of host nation entrepreneurs

basics required for success in a postconflict situation. Developing the knowledge of host country companies and entrepreneurs likely would necessitate a systematic analysis, down to the local level, of a host of issues, including but not limited to:

- ❖ What are the local business unions, and on what basis are they organized?
- ❖ Which groups within a population fall inside business unions, and which do not?
- ❖ What economic activities are likely to shift support of population segments to the government's side?
- ❖ How can economic dead zones be made active?
- ❖ Within the various tiers of leadership, who are the "fence-sitters," and how can they be won over?
- ❖ Who are the spoilers, and what incentives or disincentives can marginalize them?

Answering these and other essential initial questions developed within the JIATF

organization would allow for identification of companies and individuals to bring into the initiative.

Once such entities are identified, small teams of experts should meet with them and ask what types of investment, training, and market accesses they need to be successful. Follow-up meetings would establish needs for training in branding and marketing—training that most likely would fall to private sector firms. As a final component of stage one, the U.S. Government would bring companies and entrepreneurs (complete with standardized business plans, branding, and marketing plans) together with Western investors. The U.S. Government would provide special incentives for joint venture public-private partnerships by providing political risk insurance and capital financing at a rate established by an internationally recognized, objective source.

The reader may note that the soft power strategic narrative originally coined by Kurt Amend includes considerable space for host government partners. One might ask, then, why the JIATF organization proposed does not include such a role. Given that a central tenet of the organization is to break free from host country elite entrepreneurs who often benefit from a continuation of the status quo, it is only logical that JIATF does not collocate host government officials within the JIATF organization. This does not mean that the task force does not work in close collaboration and cooperation with the host government; this could not be further from the truth. We should use the host government to gain access to locations and networks little known or unknown to members of the organization. Upon learning of new entrepreneurial networks and entrepreneurs with the potential for incorporation into the joint venture public-private partnership initiative, we could seize the opportunity to conduct outreach activities.



Iraqi business owners wait in line to complete paperwork for micro grants

In the second stage of the initiative, the U.S. Government should strive to develop the next generation of host nation entrepreneurs. To do this, I propose the incorporation of Western university educators and administrators into the JIATF organization to build up the host nation's human capital, which in the case of Iraq and Afghanistan has been left in a decimated state after years of authoritarianism, isolation, and war. Using the joint venture public-private partnership as a step-off point, the United States could use the newly acquired expertise to create in-country training and education in entrepreneurship, business administration, and management. This training and education would most likely begin as a follow-on program for individuals involved in the joint venture public-private partnership initiative; however, successful piloting of the program could lead to its wider adoption. And as an added benefit for top students, programs akin to the Fulbright scholarship can be designed to bring students to U.S. schools and companies to learn and gain hands-on experience. Although discussion of the role of education and training is limited by the scope of this article, we cannot discount the central nature of these follow-on initiatives in the long-term success of the broader economic initiative.

Leverage U.S. Development Agency Mandates to Address Private Sector Business Concern. Beyond the structure of an organization, most important for the overall success of joint venture public-private partnerships are the financing mechanisms and methods by which the U.S. Government would shelter private business from political risk. Although rhetoric from global political leaders is important in setting the context for increased investment and trade with conflict states, a tipping point would not be reached until the businesses see decreased risk associated with such transactions.

As discussed earlier, two U.S. organizations exist to support this process. However, throughout the past decade, the operations budgets of these organizations have been cut to the point that they support ventures based on free market capitalism rather than political priorities. Although it is perfectly rational for American political risk firms to employ a free market approach, this approach implicitly scuttles any and all possible joint ventures in conflict zones. Furthermore, this approach will likely not satisfy the demands of a conflict state seeking to achieve trade and investment levels needed to cross the theoretical tipping point.

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To confront the lack of an organization that can address the insurance and financing needs of businesses in conflict zones, the U.S. Government has two options. As a first option, it could revise the operating budgets of the Ex-Im Bank and OPIC to incorporate higher risk ventures into their scope of activities, especially those in conflict states. This process would allow the organizations to reclaim their founding missions and might create spillover effects for development projects in other areas. Unfortunately, this would negatively impact the free market narrative of these organizations. Also, simply increasing the budgets of agencies would not necessarily guarantee that monies would be directed to joint venture public-private partnership initiatives in conflict zones—as some monies might be reallocated at the agency level. As a second option, the U.S.

Government could incorporate Ex-Im Bank and OPIC representatives in the JIATF organizational structure. In this way, the United States would be better able to direct funds to projects it views as important to overall success of key foreign policy ventures. Moreover, monies allocated for these joint ventures would have a more direct link to conflict zones and would have less chance of being absorbed into projects not directly linked to foreign policy priorities.

Conclusion

Going forward, the most important next step is to recognize the utility of joint venture public-private partnerships as well as follow-on civilian training in fostering the integration of conflict societies into the global economy. Only by internalizing this belief can leaders take up the mantle to implement the above recommendations for Iraq, Afghanistan, and other states. Whether with an urbanized population such as Iraq, or a rural population such as Afghanistan, the transformative nature of commerce knows no bounds. And it is from this perspective that the United States should embrace cooperation across governments, agencies, and businesses—and reject the tendency to see success only through the lens of one's department or agency.

To address the issue of bureaucratic budget competition, the U.S. Government should consider establishing a multiagency fund specifically for addressing stabilization and reconstruction planning and operations and providing sufficient consultation and oversight for Congress.³⁰ Doing so would address a number of the concerns departments and agencies may level against standing up a JIATF for reconstruction in conflict states. Moreover, with the necessary legal mandates, a separate budget account might allow for more efficient and effective

incorporation of private sector business expertise—a primary requirement for the overall success of the model proposed above. Whatever the case might be, until the U.S. Government adopts a usable structure to create economic opportunity in earnest, we will continually struggle to secure durable levers of influence beyond the ephemeral level of security our military can provide. **PRISM**

Notes

¹ U.S. Army Field Manual (FM) 3–24, *Counterinsurgency* (Washington, DC: Headquarters Department of the Army, December 2006), E–5.

² John A. Nagl and Brian M. Burton, *After the Fire: Shaping the Future U.S. Relationship with Iraq* (Washington, DC: Center for a New American Security, June 2009), 3.

³ FM 3–24, A–13.

⁴ *Smart power* involves the strategic use of diplomacy, persuasion, capacity-building, and the projection of power and influence in ways that are cost-effective and have political and social legitimacy—essentially, it is the engagement of both military force and all forms of diplomacy.

⁵ Robert M. Birkenes, “Interagency Cooperation: The JIATF in Iraq,” *Foreign Service Journal* (September 2009), 28.

⁶ FM 3–24, 2–1.

⁷ *Risk management* is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events.

⁸ FM 3–24, 5–8.

⁹ Political, social, and economic programs are most commonly and appropriately associated with civilian organizations and expertise; however, effective implementation of these programs is more important than who performs the tasks. If adequate civilian capacity is not available, military forces fill the gap.

¹⁰ A *joint venture* is an entity formed between two or more parties to undertake economic activity together. The parties agree to create a new entity by both contributing equity, and they then share in the revenues, expenses, and control of the enterprise.

¹¹ *Public-private partnership* describes a government service or private business venture that is funded and operated through a partnership of government and one or more private sector companies.

¹² See Vali Nasr, *Forces of Fortune: The Rise of the New Muslim Middle Class and What It Will Mean for Our World* (New York: Free Press, 2009), 25.

¹³ *Ibid.*, 26.

¹⁴ Indra de Soysa and Jo Jakobsen, “Rewards of Freedom: Democracy and the Inflow of Foreign Direct Investment, 1984–2001,” paper presented at MNE Conference, Washington University, St. Louis, MO, 2005.

¹⁵ *Political risk* is any political change that alters the expected outcome and value of a given economic action by changing the probability of achieving business objectives. Political risk can further be divided into three categories: micro-level, country-level, and macro-level.

¹⁶ The most recent data can be found in Freedom House, *Freedom in the World 2010: Global Erosion of Freedom* (Washington, DC: Freedom House, 2010).

¹⁷ Jonas Johansson, “Globalization and Democracy: An Overlooked Connection,” in *Development and Democracy: What Have We Learned and How?* ed. Ole Elgström and Göran Hydén (London: Routledge, 2002), 23–47.

¹⁸ William J. Burns, remarks at the 2009 Middle East Institute Annual Conference, National Press Club, Washington, DC, November 10, 2009.

¹⁹ Nasr, 26.

²⁰ Thomas P.M. Barnett, *The Pentagon's New Map: War and Peace in the Twenty-first Century* (New York: Berkley Books, 2004), 306.

²¹ Nasr, 26.

²² Ibid., 12.

²³ According to Nye, *hard power* is a term describing power obtained from the use of military and/or economic coercion to influence the behavior or interests of other political bodies. As the name would suggest, this form of political power is often aggressive, and is most effective when imposed by one political body upon another of lesser military and/or economic power.

²⁴ Barnett, 57.

²⁵ Kurt Amend, "The Diplomat as Counterinsurgent," *Foreign Service Journal* (September 2009), 22.

²⁶ *Stabilization operations* are the application of military power to influence the political and civil environment, to facilitate diplomacy, and to interrupt specified illegal activities. Their purpose is to deter or thwart aggression; reassure allies, friendly governments, and agencies; encourage a weak or faltering government; stabilize a restless area; maintain or restore order; and enforce agreements and policies.

²⁷ United States Office of Management and Budget, Fiscal Year 2010 President's Budget—Analytical Perspectives, accessed at <www.whitehouse.gov/omb/budget/Analytical_Perspectives/>.

²⁸ Samuel A. DiPiazza, Jr., and Ian Bremmer, "Integrating Political Risk into Enterprise Risk Management," PricewaterhouseCoopers and Eurasia Group, 2006.

²⁹ Birkenes.

³⁰ Richard G. Lugar, "Stabilization and Reconstruction: A Long Beginning," *PRISM* 1, no. 1 (December 2009), 8.